

(December 10, 2008) Lipinski Supports Loan to Save American Auto Industry

Tough Bill Will Save Millions of Jobs, Force U.S. Automakers to Restructure

Washington, DC] Representative Dan Lipinski (IL-03) helped pass H.R. 7321, the U.S. Auto Industry Financing and Restructuring Act. At its core, this legislation would provide necessary bridge loans to prevent a potential near-term failure of domestic automakers.

In the following statement about the bill, Lipinski expresses the need to assist American automakers in order to save millions of jobs and maintain a strong manufacturing base that is necessary for America's economy and for national security. The loan package requires the automakers to develop a long-term plan for viability and contains strong protections for American taxpayers.

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"Over the past decade, America has lost more than three million manufacturing jobs, with nearly 200,000 of these losses in the Chicagoland area. In these difficult economic times, our country cannot afford to lose more good-paying American jobs. A collapse of any one of the Big Three automakers would have disastrous effects on the already fragile American economy. The government must step in and provide a bridge loan to ensure the survival of this critical core industry. That is why I voted for H.R. 7321.

"The automotive industry supports an estimated five million American jobs across all 50 states and accounts for almost 4% of U.S. GDP. Experts argue that the fall of the auto industry could cost the country 3.3 million jobs over the course of the next year. In Illinois, an estimated 150,000 people would be forced out of work. With unemployment in Illinois currently at 7.3% failing to aid the automotive industry would be devastating not only to my constituents, but to the nation as a whole.

"This country was built on a foundation of hard-working, middle-class manufacturing workers and this industry continues to serve as a vital pillar in the health of our economy. I do not think our economy can be built solely on the financial, service, and entertainment industries. We need manufacturing, not only as a stable base for job growth, but as a matter of national security. America must be able to manufacture the vehicles and armaments necessary to protect our nation, we cannot rely on others for our security.

"But I am disappointed that the executives leading the Big Three have failed in many ways over the years. I have never owned a foreign car. From my first car, an Oldsmobile Delta 88 Diesel, to the car I drive now, a Saturn Vue hybrid, I have always driven American cars to support American workers and American manufacturing. But Big Three have not always been quick enough in innovating and producing fuel efficient, reliable cars. Nor have the companies maintained good long-term business plans.

"As the Vice Chairman of the House Committee on Science and Technology, I recognize that the American auto industry has to be a leader in research and development. Our commitment to energy independence and to a greener, cleaner environment is dependent on clean cars. This plan ensures that the Big Three comply with increased energy efficiency standards already passed into law, including the mandatory national minimum CAFE standard of 35 mpg by 2020.

"The United Autoworkers Union (UAW) has also faced criticism for being partly responsible for the state of the American auto industry. In the past couple of years the UAW has responded by making concessions in its contracts with the Big Three, and now UAW President Ron Gettelfinger has rightly committed to further concessions to be part of the solution to the present situation.

"And the importance of the industry does not mean that there should be a no-strings-attached bailout given. We have seen the consequences of legislating like that with the \$700 billion Wall Street bailout. The Treasury Secretary was given too much leeway with taxpayer dollars and has been able to spend the money in whatever way he has chosen without restrictions and without oversight. We cannot repeat that.

"I am pleased that this bridge loan is substantially different than the Wall Street bailout bill that I opposed. First, this is a loan to the automotive industry, not a cash handout like what was given to Wall Street. In this plan the taxpayers' investment is protected. The government is receiving warrants to purchase senior preferred stock in all participating companies, a 5% interest rate on the investment, and the guarantee of repayment of all government debt within 7 years.

"Second, the package contains real accountability to the taxpayer. The appointment of an independent 'car czar' to oversee the financial stability and implementation of this loan ensures American taxpayers are protected. This 'car czar' also has the ability to force repayment of the loan or withhold any funding for failure to comply with the terms of the bill.

"Third, the package requires that the automakers restructure their business models to ensure long term financial stability. The bill calls for the assessment of a restructuring plan by January 1, 2009 and the mandatory submission of a full restructuring plan by March 31, 2009. The Wall Street bailout did not call for any form of restructuring of the financial sector, allowing business-as-usual to continue on Wall Street.

"Fourth, the CEO's have agreed to slash their pay to \$1 for this year in an effort to lead by example. In addition, the plan ensures that no bonuses are paid to the companies' 25 most highly paid employees, places prohibitions on golden parachutes, limits compensation plans, and requires divestment of private aircraft or leases. We saw no such concessions from Wall Street.

"The package will protect the United States automotive industry, which in turn will ensure the sustainability of the American manufacturing sector. The loan is not another bailout, it is a necessary loan to a core sector of the American economy that without assistance, threatens the very economic stability of the country and our national security."